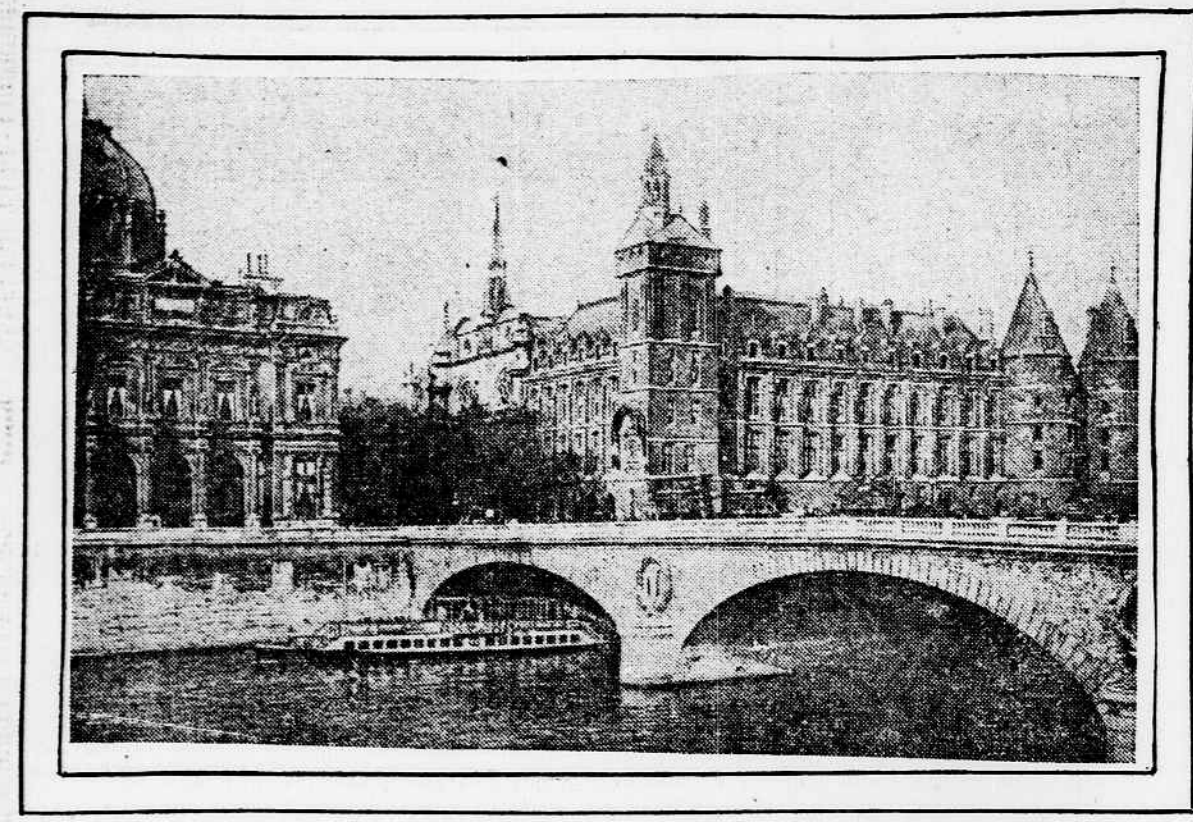


France's War Income From Abroad Now Out in Half



FRANCE'S COLONIAL INVESTMENTS—PALACE OF JUSTICE IN TANGIERS.

BY CHARLES M. PEPPER.

The French peasant's stockings have given up between \$9,000,000,000 and \$10,000,000,000 for investments abroad.

Since the beginning of the present war the French people, with splendid patriotism and self-sacrifice, have emptied their stockings into the Bank of France. They have poured their savings into it, because these savings were in gold, and the government of France wanted, above all else, gold in the financial institution which is its mainstay.

Previously the savings had gone very largely into foreign enterprises—loans to governments, railway securities, and construction projects with French commerce in the foreground.

These French investments began on a large scale soon after the payment of the billion-dollar indemnity to Germany as the price of peace following Sedan. The marvelous recuperative powers of France were shown when, at the end of the Franco-Prussian war, it was developed that not only was there capital for the restoration of domestic industries, but also that there was a surplus which could be invested in foreign countries.

French thrift and industry provide an annual saving of \$1,000,000,000. At the outbreak of the present war the deposits in four leading banks exceeded \$1,400,000,000. A single institution, the Credit Lyonnais, held nearly \$500,000,000.

The national wealth of France fifteen months ago was estimated to exceed \$20,000,000,000, and the income to be more than \$6,000,000,000 annually. From the time of Waterloo the national wealth increased 350 per cent, while the increase in population was not much more than 33 per cent.

These figures are in any analysis to be understood in any analysis of the reserve resources of the French people. It is true that France entered on the war with a very large national debt, \$6,575,000,000, or \$166 per person, but it is also true that no nation with a population almost stationary as that of France has been, has shown such a marvelous increase in national wealth and income during the last century.

An estimate of the foreign investments by the French economist, Alfred Neymarck, in 1910, placed the total of foreign securities held in France at \$7,000,000,000, but other experts were of the opinion that this figure was larger. There were also very heavy foreign investments from 1910 on. The bankers' estimates was that 10 per cent

A MOSQUE IN EGYPT, WHERE FRANCE LENDS MONEY.

FINANCIAL Conditions in France Before the War—French Investments and Methods—Income From Her Foreign Securities Proportionately More Curtailed Than That of England or Germany—Loans to Russia—Investments in Turkey, Germany and Other Countries—Mexico a Losing Proposition for French Investors.

banks has been a strong arm for the French government in its international policies. Political aims could be pursued with some certainty of success when financial dealings could be made through a small group of financiers who were in sympathy with the foreign policy of the government. The present war, with other things, will bring a crucial test of the soundness of this system.

The war area covers a large part of the area of French investments abroad. In consequence France's income from her foreign securities is proportionately more curtailed than that of her ally, England, or of her enemy, Germany. Yet she still has some very profitable sources of foreign income which have been disturbed only temporarily by hostilities.

The geographical distribution of the French foreign investments sheds some light on the economic background of the great war, and of the causes which may bring it to an end, regardless of military considerations.

Warring Europe includes approximately one-half of France's foreign investments. Peaceful Europe provides something more than \$1,000,000,000. By far the largest amount of money advanced by France in the past has been to Russia. The loans to the Russian government were large, while heavy investments were also made in the securities of private corporations.

The amount of Russian obligations held in France at the outbreak of the war was known to exceed \$2,000,000,000. This was in itself a pretty good reason why France could not stay at peace when Russia was at war with a neighboring country.

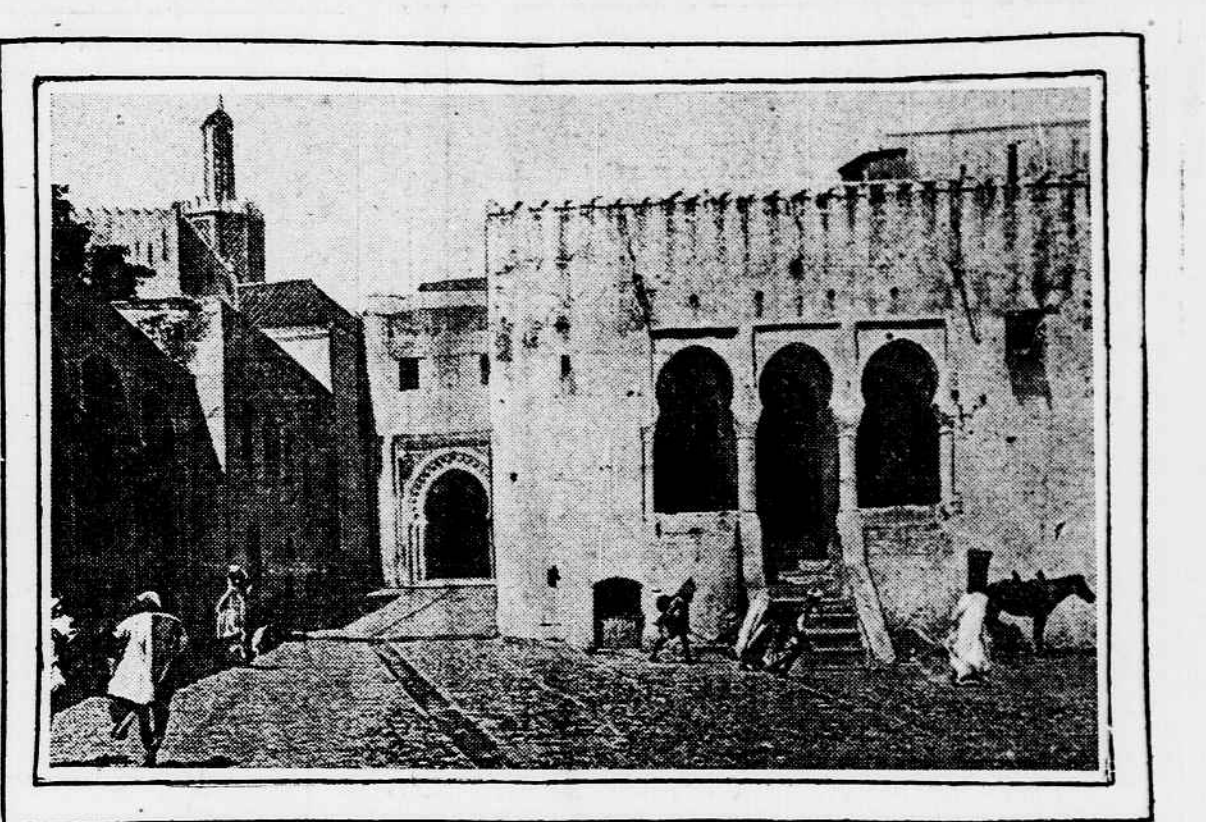
European diplomatic history has an interesting chapter on the way in which the czar prevented Germany from pouncing upon France a second time after her defeat and humiliation at Sedan. Gratitude alone, therefore, might have justified France's alliance with Russia, but state policy required something more than a sentimental bond. Accordingly, French money was poured into Russia for investment. France in going to war as an ally of Russia, therefore, was not only keeping her treaty obligations, but was taking the step necessary to protect her Russian investments.

Just what Russia has been doing in the way of paying interest on the French loans since hostilities broke out is not known; but in view of her need of fresh loans it is not likely that she has been doing much. Russia's enormous resources, however, are not in doubt. The French loans, as of all her obligations, and only an annihilating defeat of the allies can cause an ultimate loss to the French investor.

But the amount of money which France already had advanced to Russia was a very good reason why the principal burden of further financing Russia should rest upon England. Nevertheless, France has continued to stand by Russia, and any share of the Anglo-French loan, or of future Anglo-French loans, which Russia may get will be guaranteed by France as much as by England.

The Balkans and Greece represent French money approximately \$900,000,000. Rumania and Greece, which are at least friendly to the allies, account for \$800,000,000 of this sum and there has been no intimation that these countries, while maintaining their benevolent neutrality, are not paying the diplomatic corps, calling for the two countries become belligerents on the side of the allies they would not be in a position to pay the interest. At the beginning of the present war England declared Egypt to be in name what it already was in fact, a British protectorate. France's investments in Egypt may therefore be considered in one sense investments in the British Empire.

The Suez canal shares held in France may also be considered a part of the



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Egyptian investments. Though England has the majority of the shares in the canal, the company is a French company, and the French holdings are very large. British and French warships have kept the canal open chiefly for their own commerce, but the income, of course, has been reduced. Until

Egypt represents a French investment which at one time amounted to

the peaceful area. Their obligations are approximately \$700,000,000. Switzerland represents another \$100,000,000. These countries, being at peace, are meeting their obligations in the way of interest on their debt, although Switzerland has to undergo extraordinary expenses in maintaining herself on a war footing to preserve her neutrality.

French investments in the far east, including the French territory of Indo-China, aggregate about \$300,000,000. There has been no loss of income on account of the war from this source.

The French colonies in Africa, including Morocco, have proven good investments both politically and financially. They have furnished their contingent of troops while their industries have gone on as under normal conditions.

France has at least \$600,000,000 invested in South America. Approximate

Germany gets the canal, if she ever does, Suez may be considered a safe French investment.

French investments in Austria-Hungary and Germany were said to approximate \$400,000,000, of which about \$400,000,000 was in Austria-Hungary. The large amount invested in the dual kingdom will surprise those who do not follow the current of international investments. They were in the form of government securities, and some of them in private enterprises. It is not surprising that Austria, in paying interest to the country which she is fighting, yet in the final adjustment the French demand what is due to her.

The French investments in Germany were of a temporary character; some of them were in the form of bonds. After the Morocco incident these commitments were reduced. The permanent sequestration of French obliga-

RIVER FRONT IN BUENOS AIRES, WHERE FRENCH INVESTMENTS PAY.

Frank L. Polk, the New Counselor of the Department of State

AS recently as the early part of the Taft administration the position of counselor for the Department of State was regarded as of little consequence that it was not even listed in the Congressional Directory, though chief clerks, division chiefs and private secretaries were deemed worthy of having their names in this official "Who's Who" of the national government. Not until 1911 was the title of the position and the name of the person holding it included in the book.

Today the counselor for the Department of State is among the most powerful and responsible officers of the United States. He figures more often in the day's news than most cabinet officers.

There are three assistant secretaries of the Department of State. The counselor outranks all three.

A change in the statute law and— which is of greater moment—the increasing importance of that branch of the nation's business which has to do with foreign relations have brought this about.

With the incoming of the present national administration that eminent authority on international law, Dr. John Bassett Moore, was called to the position of counselor for the Department. Thereupon Congress provided by statute that in the absence or disqualification of the Secretary of State, the counselor and not the ranking assistant secretary should act as Secretary. This gave to the position a dignity which it had not previously possessed.

In March, 1914, Dr. Moore resigned and March Lansing was called to the post. Then came the European war, with the result that the Department of State suddenly became the most important part of the government.

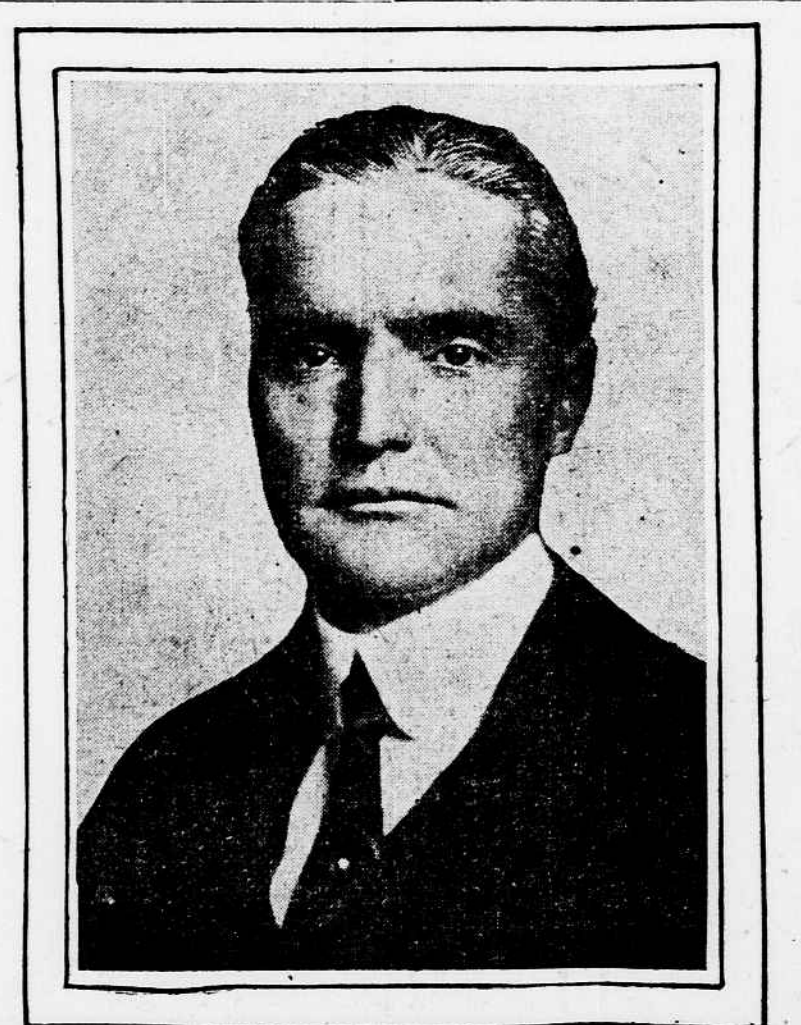
Under the new responsibilities and wonderful opportunities for error were thrown upon it. The counselor, otherwise the skilled, cool headed, learned professional and technical adviser, frequently called upon to act as Secretary and head of the department, found the fierce light of publicity beaming upon him. Also he found not only his immediate chief, but the President of the United States, leaning upon him, calling him frequently into conference.

So it was that when Mr. Bryan resigned the secretaryship the counselor, Mr. Lansing, was promoted to be Secretary of State.

Then came a new counselor, fresh from his duties as corporation counsel of the city of New York, Frank Lyon Polk. It was September 16 that Mr. Polk took office. Germany's unsatisfactory note on the Arabic case was just in hand. The Dumba incident was crowding for attention. Mexico was boiling over the border. Haiti was just in the process of being straightened out, and resisting the strengthening process. International complications on the surface of things—

September 18, two days later, Secretary Lansing, who, for a period, had been his own counselor, and bearing a tremendous burden, departed for his vacation to fish for bass. Some observers about the department held their breath. A new man, a freshman in the senior class of this

FRESH From His Duties as Corporation Counsel of the City of New York, He Becomes Acting Secretary of State of the United States on His Second Day in the Federal Service. A Freshman in the Senior Class of the Administration, He Handles the Dumba Incident and Other Delicate Matters With Skill and Without Error—The Story of His Sudden Rise to Fame and Power—In an Interview He Advises Young Lawyers to Turn Their Attention to International Law, as the Practice of That Branch of the Profession Is to Grow.



FRANK L. POLK, Counselor for the Department of State. (Photo by Underwood & Underwood.)

a submarine torpedo is used instead of a bow and arrow.

"Reason and justice, then, quite as much as traditional rules that have been written by text book writers or by duly constituted and recognized tribunals, are to be considered in formulating the attitude of the United States in the various controversies which are now arising."

"International law, as a separate branch of the legal profession, has not been a large part of the history of the United States until recent years. The isolation of the United States in the earlier period of its history, and the fact that this result. But now this nation is less aloof from other countries than it ever was before. Means of transportation and communication have reduced weeks to days and days to minutes. Our trade is expanding. We are becoming a creditor instead of a debtor nation.

"Our association with other nations in the great society of nations is more intimate than ever and daily becoming more intimate. Hence, we all of us must turn our attention more closely to the study of international law, which regulates the conduct of the society of nations, not merely in time of war, but in time of peace as well."

"Particularly is this true in regard to our commercial relations. Already it is observed that the legal advisers of commercial interests which find markets abroad are turning their attention to international law. A notable example is the case of counsel for certain exporters whose goods have been condemned by the British prize courts. I have found in my relations with these lawyers that they are profound, learned and skilled international lawyers."

"It is altogether probable, then, that we are to see a larger section of the American bar devoting its attention to international law, and the development in that section of a considerable number of specialists in that branch of the profession. In my opinion this is a matter to which the young lawyer and the law student may well give serious attention."

Mr. Polk's career has in it many points of interest, indicating the manner in which a typical young American rises in his profession to place and power. He is a native New Yorker. His father, Dr. William McKenrick Polk, was Dr. William McKenrick Polk, a member of the medical school at Cornell University for many years, and one time president of the Academy of Medicine. Dr. Polk and his father, Leonidas Polk, the fighting bishop—grandfather of the counselor—saw service under the Confederate flag during the war between the states.

Leonidas Polk was the first Protestant Episcopal Bishop of Louisiana. Early in the war he accepted a commission as major general in the Confederate army. He was a close adviser of Jefferson Davis and was given command of all the territory between the mouth of the Red River on both sides of the Mississippi to Cairo, Ill., on the Ohio, with headquarters at Memphis. He became lieutenant general in October, 1862, after brilliant service in the field, and was killed by a Federal shell while reconnoitering on Pine Mountain, near Marietta, Ga.

The soldier blood of the family manifested itself in Frank L. Polk when the war with Spain came on. Mr. Polk was a member of Troop A Cavalry, New York National Guard, before the war, and went to the front when that organization was mustered into the fed-

ASHMUN BROWN.